

## Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 IO-13 ISO-00 FEA-01 AGRE-00 CEA-01  
CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05  
L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15  
STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01  
OIC-02 AF-08 EA-07 EUR-12 NEA-10 /133 W  
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R 101220Z DEC 76

FM USMISSION GENEVA

TO SECSTATE WASHDC 4137

INFO AMEMBASSY BRASILIA

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E.O. 11652: N/A

TAGS: GATT, ETRD, BR

SUBJ: GATT ARTICLE XXVIII NEGOTIATIONS WITH BRAZIL

REF: (A) STATE 280168 (B) TSCD 76-47

BEGIN SUMMARY. REQUEST LIST PRESENTED TO BRAZILIANS. THEY  
HINTED OF FURTHER DELAYS IN IMPLEMENTATION NEW GATT SCHEDULE  
AND IN COMPLETION THESE NEGOTIATIONS. END SUMMARY.

1. ON DEC. 8 MISSION OFFICER, ACCOMPANIED BY OFFICERS FROM  
MTN DEL, PRESENTED U.S. COMPENSATION REQUEST CONTAINED REF  
(B) . WE STATED REQUEST WOULD CHANGE SHOULD  
FINAL BRAZILIAN SCHEDULE INDICATE ADDITIONAL WITHDRAWALS.

WE EMPHASIZED THAT U.S. TARIFF BINDING REQUESTS WERE LODGED  
ON FIRM UNDERSTANDING THAT THEIR VALUE WOULD NOT BE IM-  
PAIRED. WE SAID U.S. COULD NOT PLACE ANY VALUE ON TARIFF  
BINDINGS WHICH MIGHT LATER BE FRUSTRATED BY LICENSING, PRIOR  
DEPOSITS, SURCHARGES OR OTHER DEVICES WHICH MIGHT DILUTE  
THEM OR RENDER THEM MEANINGLESS. WE RECOGNIZED THAT  
BRAZIL HAD THE RIGHT TO IMPOSE TEMPORARY BALANCE OF PAY-  
MENTS RESTRICTIONS IN TRULY SERIOUS CIRCUMSTANCES, BUT  
OTHERWISE U.S. WOULD INSIST THAT TARIFF BINDINGS NOT  
BE FRUSTRATED.

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2. IN RESPONSE TO MOST SUBSTANTIVE QUESTIONS, BRAZILIANS TENDED SAY IN LOA KEY, "WE HAVE NO IDEA, WILL HAVE TO REFER TO BRASILIA." THEY HINTED THAT NEW GATT SCHEDULE IMPLEMENTATION IS NOT IMMINENT DUE TO "TECHNICAL" PROBLEMS AND WOULD NOT TAKE PLACE BEFORE EARLY NEXT YEAR. WE NOTED THAT BRAZIL HAD TOLD GATT BALANCE OF PAYMENTS COMMITTEE (BOP/R/88, 17 MAY 1976) THAT LICENSING AND OTHER TEMPORARY RESTRICTIONS WERE IMPOSED FOR BOP REASONS ONLY. THEY SAID THIS WAS STILL BRAZILIAN POLICY: I.E., THAT LICENSING WAS NOT BEING USED AS TRADE POLICY DEVICE. COMMENT: THIS IS SIMPLY NOT OUR UNDERSTANDING. DECEMBER 1976 ISSUE OF INTERAVIA (SWISS-PUBLISHED AVIATION MAGAZINE) CONTAINS TWO SEPARATE REFERENCES TO AIRCRAFT INDUSTRY IMPORT SUBSTITUTION PROGRAM IN BRAZIL BEHIND "TOTAL" IMPORT PROTECTION. NONETHELESS, BELIEVE IT IS PROMISING THAT WE ARE ABLE TO GET THE BRAZILIANS TO REPEAT CONTINUALLY THAT RESTRICTIONS ARE FOR BOP PURPOSES ONLY.

3. WE ASKED WHETHER BRASILIA HAD GIVEN ANY INDICATION AS TO WHEN BOP RESTRICTIONS MIGHT EXPIRE, NOTING THAT DECREE AUTHORITY FOR SOME MEASURES WOULD END ON DECEMBER 31. THEY HAD NO INFORMATION, BUT SPECULATED BRASILIA WAITING FOR OIL SITUATION TO CLEAR UP BEFORE MAKING ANY DECISION.

4. BRAZILIANS ASKED CLARIFICATION OF U.S. VIEWS ON THEIR CURRENT GATT WAIVER. WE SAID U.S. HAD FOLLOWED PRINCIPLE OF LESS THAN FULL RECIPROCITY FOR LDC'S ON NEGOTIATIONS AND INDEED ON (FIRST) RE-NEGOTIATIONS. HOWEVER, WE DID NOT ACCEPT THE PRINCIPLE THAT LESS THAN FULL RECIPROCITY COULD BE APPLIED ON RE-NEGOTIATIONS OF RE-NEGOTIATIONS. THEY SAID STATISTICAL EVALUATION OF PREVIOUS ARTICLE XXVIII SETTLEMENT BETWEEN U.S. AND BRAZIL MIGHT AFFECT BRASILIA'S VIEWS ON HOW MUCH COMPENSATION WAS DUE IN CURRENT CASE. AT FIRST THEY INDICATED THAT STATISTICAL MAGNITUDE OF U.S. REQUESTS APPEARED "OFFHAND" TO BE OF THE SAME MAGNITUDE AS THEIR OWN EVALUATION OF TOTAL IMPAIRMENT. HOWEVER, THEY LATER HESITATED ON THE POINT, LIMITED OFFICIAL USE

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AND THUS WE PROVIDED THEM COPIES OF U.S. LIST OF WITHDRAWN CONCESSIONS ANNEXED TO REF (B). IN ONE COMMENT, WHICH WE UNSURE WHETHER SHOULD BE TAKEN SERIOUSLY, THEY HINTED OF FURTHER WITHDRAWALS TO COME IN BRAZILIAN SCHEDULE DURING COMING YEAR.

5. WE ASKED THAT BRAZIL ESPECIALLY FOCUS ATTENTION ON TWO GENERAL ITEMS ON REQUEST LIST: VARIOUS AIRCRAFT,

PARTS, AND ENGINES; AND APPLES AND PEARS. WE NOTED LATTER ALSO ON OUR TP LIST IN MTN. THEY PROMISED TRANSMIT U.S. REQUEST LIST TO BRASILIA RIGHT AWAY AND HOPED BE ABLE TO RESPOND SOMETIME IN JANUARY. WE NOTED BRAZILIAN WAIVER EXPIRES END MARCH 1977 AND HOPED ALL ARTICLE XXVIII NEGOTIATIONS AND FINAL IMPLEMENTATION OF COMPENSATION COULD BE EFFECTED BEFORE THEN. THEY DOUBTED THAT PROCESS COULD BE COMPLETED SO SWIFTLY, NOTING THAT ONLY U.S. HAD THUS FAR RESPONDED TO THEIR CALL FOR REQUEST LISTS. WE NOTED THAT COUNTRY MAKING WITHDRAWALS (I.E. BRAZIL IN THIS CASE) COULD ALWAYS SPEED THINGS ALONG BY PRESENTING OFFER LISTS. THEY SAID THIS NOT POSSIBLE BECAUSE OF STATISTICAL CONFUSION IN BRASILIA. THEY DID NOTE THAT EC HAD EXPRESSED AN INTEREST IN THESE NEGOTIATIONS AND BRAZIL WOULD AWAIT RECEIPT REQUEST LIST. (COMMENT: WE TALKED TO EC COMMISSION PRIVATELY IN ADVANCE, AND THEY INDICATED THEY WERE AWAITING BRAZILIAN OFFERS. WE URGED EC TO GET MOVING AND SUGGESTED THEY CONSIDER PRESENTING A REQUEST LIST.)

6. WE HOPED BRAZIL COULD IMPLEMENT THEIR COMPENSATION TO U.S., IF REACHED EARLY, AND NOT DELAY PENDING RESULTS NEGOTIATIONS WITH ALL PARTIES. WE REMINDED OF DIFFICULTIES IN THIS RESPECT WITH PREVIOUS ARTICLE XXVIII NEGOTIATION. THEY WERE NOT ENCOURAGING AND SAID THIS ADMINISTRATIVELY DIFFICULT FOR THEM AND WOULD CAUSE GATT LEGAL PROBLEMS. WE SAID WE FELT THERE WOULD BE NO GATT LEGAL PROBLEMS. WE SAID WE FELT THERE WOULD BE NO GATT LEGAL PROBLEM AND URGED THEM, VIA THE GATT SECRET SERIES, TO IMPLEMENT U.S. COMPENSATION AS EARLY AS POSSIBLE. WE SAID BRAZIL HAD BENEFITED FROM LDC STATUS BY GAINING WAIVER TO IMPLEMENT IMPAIRMENT FAR IN ADVANCE OF COMPENSATION. WE ALSO FELT THAT BRAZIL LIMITED OFFICIAL USE

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HAD HERETOFORE RECEIVED "PART IV" TREATMENT ON THE AMOUNT OF COMPENSATION U.S. HAD BEEN PAID IN PREVIOUS NEGOTIATIONS. HOWEVER, THERE WAS A LIMIT TO THE ONGOING PERIOD OF IMPAIRMENT WITHOUT COMPENSATION THAT THE U.S. COULD FIND ACCEPTABLE. WHILE PERSONALLY DOUBTING WHETHER U.S. WOULD WITHDRAW CONCESSIONS AGAINST BRAZIL, WE DREW THEIR ATTENTION TO FACT THAT CURRENT BRAZILIAN WAIVER ALLOWS OTHERS TO SUSPEND CONCESSIONS, PENDING FINAL SETTLEMENT.

7. WE HAVE PROVIDED BRAZILIANS WITH TEXT OF GENERAL FOOTNOTE ON NTB'S CONTAINED REF (B), ALONG WITH U.S. LIST OF BRAZILIAN ITEMS WITHDRAWN AND RELEVANT PARTS OF ALL ITEMS ON U.S. REQUEST LIST.

8. COMMENT: WE HAVE VAGUE FEELING OF HAVING DELIVERED  
A POLITE MONOLOGUE. BRAZILIANS CHATTED PLEASANTLY AND  
THEN AVOIDED SPEECH ALTOGETHER WHEN WE BROACHED ANY-  
THING THEY MIGHT HAVE TO CONTEND.CATTO

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## Message Attributes

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